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New Zealand

Agricultural Situation

Agribusiness Report - February 2001

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Report Highlights:

Top Season for Kiwifruit

Dairy Mega-merger Savings Outlined

Anti-BSE Labels Could Cost Meat Industry

Lumber Exports Slow

Organic Exports Grow Sharply

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

Wellington [NZ1], NZ

HORTICULTURE

Top Season for Kiwifruit

Kiwifruit growers are enjoying a five-year high in exports as the 2000 season comes to a close. Zespri International's latest figures show that so far growers have exported 63 million trays of fruit with significant increases in ZESPRI TM GREEN, GOLD and ORGANIC kiwifruit. Zespri is forecasting record returns to suppliers for the year of NZ\$432.2 million (US\$185.8 million) due to significantly heavier volumes (21% up on 1999). The average payout is now estimated at NZ\$6.79/tray, against NZ\$6.66 predicted in December. According to Zespri, crop volumes are expected to be up again in 2001 due to excellent growing conditions to date. GREEN volumes are estimated to be on par with 2000, GOLD volumes are expected to be up, and Organic volumes slightly down.

Apples to Russia

The Independent Apple and Pear Export Permits Committee has given authority to export approximately 4.2 million cartons of apples. Of this, one million lower grade apples are destined for western Russia through two new export companies. Enza also exports apples to Russia, but Enza officials have noted that Russia is a big market and the two new exporters should not conflict its shipments.

DAIRY AND PRODUCTS

Mega-merger Savings Outlined

New Zealand's dairy industry mega-merger is worth at least NZ\$310 million (US\$133 million) a year according to an amalgamation proposal by business executives of the New Zealand Dairy Group and Kiwi Cooperatives Dairies. The NZ\$310 million was made up of cost savings of NZ\$120 million from improved supply chain management, a reduction in staff and a reduced financing and service cost. A further NZ\$70 million would come from efficiencies in production planning, better use of plant and greater responsiveness to world markets. Another NZ\$120 million would come from the company's greater ability to act strategically when seeking new markets or applying new technologies.

NZ\$16 Million for Research

The dairy industry has channeled NZ\$16 million (US\$6.9 million) into a new company dedicated to improving New Zealand's on-farm research and productivity. Named Dixel, the company would enable the industry to maintain its key advantage in the international market place - low cost production. Dixel merges previously separate roles of the Dairy Research Corporation and the Consulting Officer service into a single on-farm research organization.

6000 Cow Herd Planned

Maniototo based Big Sky Dairy is planning to run a herd of 6000 cows on supplementary feed, in a move away from traditional pasture based farming on an unprecedented scale. The present dairy herd of 2000 cows would be boosted to 5,000-6,000 cows within 5 years. The company is experimenting with a new feed system based on a North American model.

Dairy Cattle Numbers Swell 25 Percent in a Decade

Dairy cattle numbers grew more than 25%, or just under one million head in the decade to June last year (2000). Nationally there are now more than 4.3 million dairy cattle and MAF (Ministry

of Agriculture and Forestry) expects numbers to swell to 5.3 million by 2005.

LIVESTOCK & PRODUCTS

Anti-BSE Labels Could Cost Meat Industry

According to the New Zealand Meat Industry Association, officials in the UK, New Zealand's largest lamb market, and Italy are considering a new labeling regime that could wipe an estimated NZ\$14.7 million (US\$6.3 million) a year from New Zealand's lamb export revenues. A byproduct of the BSE mad cow disease scare, the labels would require declaring all meat (sheep-meat, pork, poultry and game) imported into Europe BSE-free and include information such as the name and location of the farm that produced the meat and how the livestock was raised.

Deer Returns Boom though Tonnages Fall

Deer industry earnings jumped 22% last year to NZ\$218.6 million (US\$93.9 million), with higher prices offsetting lower tonnages. Processing levels fell 5 percent to just over 400,000 animals in 2000. BSE was boosted demand and prices for venison, while higher prices substantially increased earnings for velvet according to the New Zealand Game Industry Board.

FORESTRY

Lumber Exports Slow

New Zealand lumber exports rose 7 percent in value for the quarter ending November 2000, led mostly by gains to Japan. Exports to the two top markets of the US and Australia were, however, basically flat.

New Zealand Lumber Exports
3 months Ended November (NZ\$million)

			% Change
	1999	2000	
Australia	60.9	61.0	-
US	71.4	72.1	+1%
Japan	22.2	32.4	+46%
Taiwan	11.3	10.4	-8%
China	5.6	8.5	+52%
All countries	195.5	209.0	+7%

Forest Market Campaign in India

The New Zealand Lumber Industry aims to launch a NZ\$1 million (US\$430,000) campaign to promote the use of NZ pine in India over the next few months. A recent MAF study predicted that timber demand in India will almost double to 57 million cubic meters by 2007, with NZ production more than doubling to 30 million cubic meters by 2006.

Lumber Opportunities in Vietnam

New Zealand's Trade Commissioner in Vietnam reports that there is an opportunity for NZ firms to sell more lumber to Vietnamese furniture makers. Last year, Vietnam signed a trade agreement with the US under which America cut tariffs on Vietnamese wooden furniture from 33% to 3%.

WINE

Lion Nathan Takes Control of Montana

Lion Nathan, 45% owned by Japan's Kirin Breweries, bought a 51% interest in Montana in mid February. Lion Nathan reportedly sees wine as a strategically vital addition to its beer interests for which demand has slowed. Montana Wines recently reported an 11% jump in its December half year profit to NZ\$19.5 million (US\$8.5 million). With new vineyards coming into production, Montana is expecting a record harvest of premium varietal grapes for the 2001 vintage. A Hawkes-Bay harvest hit by frost will be more than offset by the Marlborough vintage, which is expected to far exceed last year's. The yield from Gisborne is expected to be on par with last year.

ORGANICS

New Zealand Organics Enjoying Spectacular Growth

Trade New Zealand reports that the New Zealand organics industry has enjoyed spectacular growth over the past ten years, with exports up from NZ\$1.1 million in 1990 to over NZ\$60 million (US\$25.8 million) to June in 2000, an increase of 77 percent from 1998/99. With the current rate of growth, it is predicted that New Zealand organic exports will be worth more than NZ\$500 million (US\$215 million) by 2005. World growth in sales of organic products is over 20 percent a year, making it one of the fastest growth food sectors in the world.

A key issue facing the New Zealand organics industry is producing enough products to take advantage of this demand. Officials note that many of NZ's largest producers can sell everything they produce either in NZ or offshore. The key to NZ's future growth is encouraging more people into the industry. The government's recent initiative through Industry New Zealand, to provide enterprise awards to companies working towards organic certification will boost New Zealand's ability to supply the world demand for organics.

New Zealand was represented at the recent international BioFach trade fair by the Organic Products Exporters Group (OPEG)- which has 56 member organics businesses including some of New Zealand's largest - along with producers of organic honey and kiwifruit, and two organic certifying agencies, AgriQuality New Zealand and BioGro New Zealand. Trade New Zealand is supporting the group, contributing 50 percent towards the cost of the New Zealand stand.

AGRIBUSINESS GENERAL

Land for Food Factories

Japanese food giant, Nikken Foods, reportedly has bought land in New Zealand for a business park to house food processing plants. A large development is planned, which could offer major employment opportunities not only in food processing but also in crop production. Products would be supplied for Nikken to distribute internationally.

TRADE

Fourth Quarter Exports Show Strong Growth

New Zealand's merchandise exports (led by agriculture) continued to show strong growth in the December quarter at NZ\$2.66 billion (US\$1.1 billion), down slightly from earlier estimates. The seasonally adjusted value of merchandise exports for the December quarter was 12.1% higher than for the September quarter. Large contributions came from milk powder, butter and cheese (up 15.4% in value), and meat and offal (up 19.6%). However the value of fruit and nut exports was down 10.5% on the September quarter.